

**Date of Meeting: May 6, 2004**

**Inspection Panel: Paraguay - Reform Project for the Water and Telecommunications Sectors; Argentina - SEGBA V Power Distribution Project; and Management Report and Recommendation in Response to the Inspection Panel Investigation Report**

The following is what Treasury instructed the USED to state before the panel.

The Inspection Panel should be commended on this report. It is comprehensive, balanced, and timely given the recent attention the Board has given to the Country Assistance Strategies (CASs) and projects for both Paraguay and Argentina. The report makes clear that the Bank was in compliance with its policies and procedures in several important aspects of the civil engineering and environmental impact aspects of the project; and that allegations of the “Requesters” in these areas were without merit. Nonetheless, the report also is clear in delineating a number of areas where the Bank was not in compliance and where, as a result, there were significant negative consequences for people in the affected areas.

Therefore, the Panel should be asked to return to the project area to report to the “Requesters” on its findings and on the response of Management and the Board. The panel should also be employed to review the implementation of action plans until such time as a decision on the final reservoir operating level and all resulting resettlement activity is completed. Furthermore, Management should come back to the Board with deadlines established for each major component of the outstanding tasks after discussions with the Yacyretá Binational Authority, the Government of Argentina, and the Government of Paraguay. Finally, the Management should report back to the Board in three months time on the necessary collaboration between the World Bank and the Inter-American Development Bank.